AERA

INDUSTRIES LIMITED

annual report 1984

AGRA INDUSTRIES LIMITED

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PHONE: (306) 653-5163 TELEX: 074-2496

1984 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1984	1983
Sales	**$ 140,308,159**	132,334,965
Net Earnings		
Before Extraordinary Items	**2,692,694**	2,197,948
After Extraordinary Items	**7,723,619**	4,509,237
Net Earnings Per Share		
Before Extraordinary Items	**.59**	.48
After Extraordinary Items	**1.68**	.98
Equity Per Share	**10.83**	9.49
Average Shares Outstanding	**4,587,246**	4,599,915
Return on Equity	**16%**	10%

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ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 P.M. on Thursday, January 24, 1985 in the Venice Salon, the Ramada Renaissance Hotel, at 405 Twentieth Street East, Saskatoon. If you cannot be present, please vote by proxy.

AGRA

Showpiece structure for Expo 86 in Vancouver will be the 13 million dollar Preview Centre. Coast Steel fabricated and erected the support steel for this 17 storey structure, one of Vancouver's most complicated pieces of steelwork.

board of directors

J. M. BARRY	Saskatoon
D. H. C. BEACH	Nipawin
A. GOLUMBIA	Saskatoon
S. J. HAMER	Vancouver
W. B. MANOLSON	Toronto
F. D. McCARTHY	Edmonton
T. A. McLELLAN	Saskatoon
C. ROLES	Saskatoon
H. TENENBAUM	Toronto
A. Z. TORCHINSKY	Vancouver
B. B. TORCHINSKY	Toronto

officers and corporate management

B. B. TORCHINSKY	President & Chairman of the Board
T. A. McLELLAN	Executive Vice-President & Secretary
H. TENENBAUM	Vice-President, Food & Beverage Group (Foods)
W. A. SIEMENS	Vice-President, Food & Beverage Group (Beverages)
F. D. McCARTHY	Vice-President, Engineering Group (Construction)
H. SOLONINKA	Vice-President, Engineering Group (Consulting)
D. G. HEATH	Vice-President, Engineering Group (Manufacturing)
W. B. MANOLSON	Vice-President, Community Service Group
S. M. STEWART	Vice-President, Community Service Group (Radio)
A. W. BEAN	Vice-President, Special Investments
R. G. DITTMER	Vice-President, Finance & Treasurer
A. C. RANKIN	Director of Corporate Marketing
O. P. RITTER	Corporate Counsel

COMPANY AUDITORS

Deloitte Haskins & Sells
Saskatoon, Saskatchewan

REGISTRAR AND TRANSFER AGENT

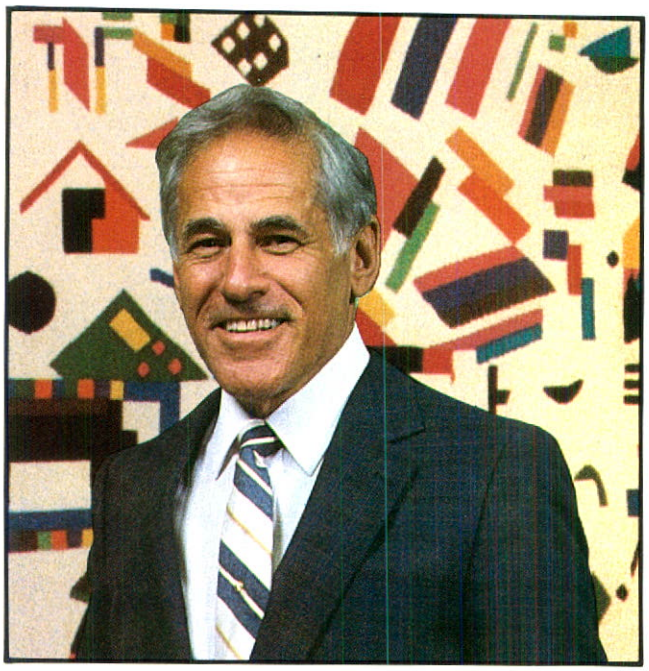
Common Shares:
Canada Permanent Trust Company
Convertible Debentures:
Canada Trust Company

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

AGRA

report to the shareholders



B. B. Torchinsky
President

Financial Results

AGRA's latest fiscal year includes the 12 month period from August 1, 1983 to July 31, 1984, during which time the economy of the western world showed signs of recovery from a severe downturn in the previous year. In Canada the recovery was very spotty and in some cases hardly materialized at all. For AGRA it was a mixed year with disappointing bottom line impact as far as regular operations were concerned, but with gratifying results from extraordinary items.

Total sales for the year rose slightly to $140,308,159 compared with $132,334,965 in 1983. Consolidated net earnings bounced up to a very satisfactory $7,723,619 or $1.68 per share (based on 4,587,246 shares outstanding). This compares with $4,509,237 or 98 cents per share last year (based on 4,599,915 shares). The current year's earnings include a healthy extraordinary item of $5,030,925 or $1.09 per share, most of which came from our share of Cybermedix's special gain from the sale of its half-interest in a cable television system in St. Louis. This compares with a total of $2,311,289 or 50 cents per share of extraordinary items included in the previous year's consolidated net earnings.

Summary of Group Performances

On a consolidated basis total sales crept up slightly for a net increase of about 6 percent and operating profits increased by about 23 percent. While these figures appear satisfactory based on an overall comparison with last year, the erratic performance of some of our operating groups was in fact very disappointing.

For example, our Engineering Group ended the year with a consolidated loss position for the first time in its 20 year history. While this was not totally unexpected in light of the deep recession, it forced us once again to reassess and reorganize our operations. As a result, we further reduced overheads in low-volume areas such as western Canada and increased our involvements in more promising areas such as the United States.

On the other hand, our Community Service Group ended 1984 as the clear leader of all our operating groups with maximum increases both in total sales and in operating profit. This record was attained partly because of excellent results from our medical laboratory division, partly because we eliminated operating losses from our news-radio broadcasting division by bringing in limited partners, and partly because of the very good performance of our new duty-free business at Toronto's International Airport.

Our Food & Beverage Group continued to be seriously affected by the prolonged recession with total sales increasing only slightly over last year and net earnings falling behind last year's results due to extreme competition. This problem affected both the food and the soft-drink operations, however was most evident in our beverage division, located in southern Alberta, where the economic depression continued to be more severe than in any other part of Canada.

Acquisitions and Divestitures

Early in the year we formed the CKO Partnership in which AGRA retains a 51 percent interest while

other limited partners hold the remaining 49 percent. This restructuring helped us to eliminate operating losses incurred by CKO and yet enabled us to continue helping CKO become established as a successful all-news radio broadcasting network across Canada. At midyear we completed the sale of our interest in a cable-television system in St. Louis. The proceeds arising from this sale were then re-invested in our new cable system in the Chicago suburbs. During the year we completed the acquisition of CI Power Services Inc., an engineering group which specializes in design and management of power plants. We then moved the company's offices from Montreal to Toronto so they could be more closely associated with our other consulting businesses.

We also commenced operations during the year of all three duty-free shops in Toronto's Pearson International Airport. These operations got off to an excellent start and we are pleased with their initial results. And finally, near the end of the year we purchased all the shares of Moore & Taber, a small but well established geotechnical engineering company located in Anaheim, California with a branch office in Bakersfield.

Subsequent to our year-end we decided to sell our soft-drink operations in Alberta. This decision was made because we were discouraged by the lacklustre results from our substantial investment in a major new plant facility, and because we found an opportunity to obtain a good price for the operation. We also agreed to sell a 50 percent interest in our cable-television system in Chicago which will provide the additional financing necessary to complete that project. At the time of preparing this report, a tentative agreement for the sale has been reached with a major cable-television company in the United States. We hope to conclude the sale shortly, subject to final approval by regulatory authorities and completion of formal documentation.

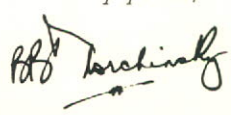
Dividend Rate

Last year the shareholders decided to split each of our common shares on a 2 for 1 basis into one Class A (voting) share and one Class B (non-voting) share. Where we had previously paid a quarterly dividend of 5 cents (20 cents per year) to each common share, your directors agreed early in the year to pay 5 cents per quarter to each Class A share and 6 cents per quarter to each Class B share. As a consequence we commenced paying a total of 11 cents per quarter or 44 cents per year compared with the 20 cents paid annually to the old pre-split shares. This dividend rate was maintained throughout the balance of the year and is being continued in fiscal 1985.

Outlook for 1985

I look forward to an improved performance from our Engineering Group in fiscal 1985 because several major projects which should provide substantial work appear ready to start within the next few months. Our Foods Group will hopefully be able to control rising costs of operations, and with new product lines recently developed, should produce a satisfactory performance. While the beverage division will cease to function with the sale of our plant in Alberta, the cash generated from the sale should more than make up for this by reducing our debt and interest load. I also expect our Community Service Group to continue in the good direction taken in fiscal 1984, so that all in all I look forward to considerable improvement in our overall performance for the new year.

Sincerely yours,



B. B. Torchinsky, President.

ten year review

	1984	1983	1982
EARNINGS STATISTICS			
Revenues	**$ 140,308,159**	132,334,965	151,922,836
Depreciation and Amortization	**4,411,798**	4,293,092	3,838,535
Net Earnings	**7,723,619**	4,509,237	4,143,909
Cash Flow	**4,443,726**	7,274,952	8,043,656
Dividends Paid	**1,000,816**	460,836	353,875
BALANCE SHEET STATISTICS			
Current Assets	**51,884,598**	46,073,590	46,705,258
Current Liabilities	**33,228,699**	23,649,071	24,900,967
Working Capital	**18,655,899**	22,424,519	21,804,291
Fixed Assets — Net	**40,836,120**	40,296,745	40,696,028
Long-Term Debt	**34,933,349**	36,580,651	38,739,340
Shareholders' Equity	**51,817,158**	44,803,950	41,379,471
COMMON SHARE STATISTICS*			
Earnings per Share	**1.68**	.98	1.75
Cash Flow per Share	**.97**	1.58	3.39
Dividends per Share (A/B)	**.20/.24**	.10	.15
Equity per Share	**10.83**	9.49	17.93
Return on Equity (average)	**16%**	10%	10%
OTHER STATISTICS*			
Average Shares Outstanding	**4,587,246**	4,599,915	2,373,125
Number of Shareholders	**1,200**	1,100	1,300
Total Shares Traded	**938,537**	884,449	271,269
Price (high/low)	**7.00/4.00**	7.00/4.50	9.25/6.50

* During 1983 the outstanding shares were split on a two for one basis. Statistics for prior years do not reflect the split and are therefore not directly comparable.

AGRA

1981	1980	1979	1978	1977	1976	1975
160,007,590	139,217,043	105,629,644	181,730,078	146,445,214	149,831,095	121,104,857
5,666,515	3,847,289	3,184,967	3,560,953	2,809,913	2,242,105	1,594,556
6,598,687	1,446,784	959,361	6,320,883	2,139,496	3,532,528	2,423,107
10,732,960	3,713,649	1,880,919	9,692,023	5,841,809	6,767,819	5,439,024
—	—	924,878	835,762	761,209	685,687	553,570
52,873,652	49,965,343	42,980,718	37,192,909	38,157,933	30,603,645	28,860,017
33,924,060	32,165,852	29,217,562	26,871,633	28,592,991	23,536,967	26,142,108
18,949,592	17,799,491	13,763,156	10,321,276	9,564,942	7,066,678	2,717,909
27,551,329	30,314,630	20,444,912	26,321,703	25,572,113	22,610,704	18,492,437
28,061,826	36,940,363	26,261,826	21,627,655	19,220,781	15,167,565	11,661,885
38,198,000	31,492,232	30,028,736	30,019,197	24,465,701	22,610,191	19,316,386
2.78	.61	.40	2.67	.91	1.62	1.14
4.52	1.57	.79	4.09	2.49	3.10	2.55
—	—	.39	.36	.34	.32	.26
16.02	13.29	12.67	12.65	10.32	10.18	9.06
19%	5%	3%	23%	9%	17%	13%
2,376,899	2,370,002	2,371,552	2,370,139	2,344,840	2,186,010	2,129,177
1,500	1,900	1,900	1,950	1,900	1,900	2,000
691,603	407,713	511,651	340,729	226,698	364,134	241,918
10.375/5.125	6.25/4.60	7.375/5.875	7.00/4.75	7.625/5.125	8.625/4.50	7.25/4.55

AGRA around the world

Agreement to proceed with a preliminary feasibility study for a new cement plant project in Indonesia is confirmed by Mr. B. I. Hardjojo, managing director of P.T. Jawa Dwipa, a major industrial complex in Indonesia. With him is AGRA vice-president, Harry Soloninka.

On October 24th, 1984, Hazel McCallion, Mayor of Mississauga, officially opened our completely renovated and enlarged duty-free shop in Terminal One of the Pearson International Airport in Toronto. With her, above, is Edwin C. Symes, managing director of Allders International in Southampton and B. B. Torchinsky, AGRA's president.

S. M. Daniel, Cambrian Engineering's president, joins Mr. Y. Yoshida, president of Asahi Denka Kogyo, at official dedication of our patented Campro-Miura edible oil deodorizer in Kashima, Japan. By adding a Campro energy efficient deodorizing section, Japanese producers are able to process 30% more oil with half the amount of steam previously used.

Fiscal year 1984

AGRA

auditors' report

To the Shareholders

We have examined the consolidated balance sheet of AGRA Industries Limited as at July 31, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1984 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

Chartered Accountants

SASKATOON, Canada
September 28, 1984;
As to note 15, November 2, 1984

CONSOLIDATED STATEMENT OF EARNINGS

Year Ended July 31, 1984

	1984	1983
Revenue		
Sale of products, contracts and fees (Note 16)	**$ 140,308,159**	132,334,965
Expenses		
Cost of sales and services, selling, general and administrative	**130,057,975**	122,653,035
Depreciation and amortization	**4,411,798**	4,293,092
Interest on long-term debt	**4,670,509**	3,809,643
Other interest	**893,366**	877,633
	140,033,648	131,633,403
Earnings before the following	**274,511**	701,562
Income taxes (recovery) (Note 13)		
— current	**125,992**	(38,753)
— deferred	**(420,343)**	42,296
	(294,351)	3,543
	568,862	698,019
Minority interest	**(68,102)**	—
Earnings of non-consolidated entities	**2,191,934**	1,499,929
Earnings before extraordinary items	**2,692,694**	2,197,948
Extraordinary items (Note 9)	**5,030,925**	2,311,289
Net earnings	**$ 7,723,619**	4,509,237
Earnings per share (Note 14)		
Before extraordinary items	**$ .59**	.48
After extraordinary items	**$ 1.68**	.98

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended July 31, 1984

Balance, beginning of year	**$ 35,536,887**	31,488,486
Add Net earnings	**7,723,619**	4,509,237
	43,260,506	35,997,723
Less Dividends paid	**1,000,816**	460,836
Balance, end of year	**$ 42,259,690**	35,536,887

CONSOLIDATED
July 31

ASSETS	1984	1983
Current		
Accounts receivable	**$ 24,147,153**	22,939,003
Inventory and contracts in progress	**15,584,501**	14,184,428
Loans to affiliates	**9,690,000**	7,400,000
Other	**2,462,944**	1,550,159
	51,884,598	46,073,590
Investments		
Equity in non-consolidated entities	**21,278,968**	14,180,880
Other — at cost	**2,426,550**	1,385,694
	23,705,518	15,566,574
Fixed		
Land	**4,094,031**	3,453,532
Buildings	**18,414,503**	17,245,207
Equipment	**43,220,045**	39,755,649
	65,728,579	60,454,388
Less accumulated depreciation	**24,892,459**	20,157,643
	40,836,120	40,296,745
Other		
Excess cost of shares in subsidiaries and acquired goodwill	**6,381,754**	6,187,717
	$ 122,807,990	108,124,626

ON BEHALF OF THE BOARD

B. B. TORCHINSKY — Director

T. A. McLELLAN — Director

BALANCE SHEET
, 1984

	1984	1983
LIABILITIES		
Current		
Bank indebtedness (Note 3)	**$ 9,051,071**	3,429,673
Accounts payable	**16,603,585**	14,371,867
Current portion of long-term debt (Note 5)	**5,880,558**	4,352,952
	31,535,214	22,154,492
Deferred income taxes	**1,693,485**	1,494,579
	33,228,699	23,649,071
Long-term debt (Note 5)	**34,933,349**	36,580,651
Deferred income taxes	**2,590,183**	3,090,954
	70,752,231	63,320,676
Minority interest	**238,601**	—
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Authorized		
Class A voting convertible shares, without nominal or par value		
Class B non-voting shares, without nominal or par value		
Issued and outstanding		
2,384,291 Class A shares		
2,401,881 Class B shares		
4,786,172	**10,604,841**	10,314,436
Retained earnings	**42,259,690**	35,536,887
	52,864,531	45,851,323
Shares held by affiliate	**1,047,373**	1,047,373
	51,817,158	44,803,950
	$ 122,807,990	108,124,626

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended July 31, 1984

	1984	1983
Source of Working Capital		
Operations		
Net earnings before extraordinary items	$ 2,692,694	2,197,948
Items not affecting working capital	1,751,032	2,765,715
	4,443,726	4,963,663
Proceeds from		
Investments	2,264,784	127,483
Disposal of fixed assets	539,863	484,456
Long-term debt	2,233,420	1,950,372
Issue of share capital and options	290,405	423,451
Extraordinary items	—	4,381,992
Shares held by minority interest	170,499	—
	9,942,697	12,331,417
Use of Working Capital		
Investments	1,312,757	1,166,755
Purchase of fixed assets	3,652,341	5,998,469
Retirement of long-term debt	4,601,630	4,091,461
Acquisition of subsidiary	2,944,867	150,000
Payment of dividends	1,000,816	460,836
	13,512,411	11,867,521
(Decrease) Increase in working capital	(3,569,714)	463,896
Working capital, beginning of year, excluding deferred income taxes	23,919,098	23,455,202
Working capital, end of year, excluding deferred income taxes	20,349,384	23,919,098
Deferred income taxes	1,693,485	1,494,579
Working capital, end of year	$ 18,655,899	22,424,519
Represented by		
Current assets	$ 51,884,598	46,073,590
Current liabilities, excluding deferred income taxes	31,535,214	22,154,492
Working capital, excluding deferred income taxes	20,349,384	23,919,098
Deferred income taxes	1,693,485	1,494,579
	$ 18,655,899	22,424,519

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1984

1. Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company holds a controlling interest.

The equity method of accounting is applied to investments in other entities.

Inventory and Contracts in Progress

Inventories used in determining cost of sales are valued at the lower of cost and net realizable value, using the first in, first out method. Engineering and construction contracts in progress are recorded at estimated realizable value on the percentage of completion basis.

Fixed Assets

Land, buildings and equipment (including equipment under capital lease) are stated at cost. Depreciation of buildings and equipment has been recorded in the accounts on a straight-line basis at rates providing for the amortization of cost of the buildings and equipment over their estimated useful life.

Excess Cost of Shares of Subsidiaries Acquired

For those companies acquired subsequent to August 1, 1973, the excess of the purchase price over the net fair value of identifiable assets is amortized on a straight-line basis over forty years.

For those companies acquired prior to August 1, 1973, the excess of the purchase price over the net book value of the underlying assets at date of acquisition is not being amortized, since in the opinion of management, no diminution of value has occurred.

Deferred Income Taxes

The Company records the estimated future tax liability that may arise as a result of timing differences between recording for accounting purposes and recording for income tax purposes. In addition, the Company records the estimated future tax benefit from operating losses, when in the opinion of management, the realization of such benefits is virtually certain.

2. Acquisitions and Disposals

During the year the Company acquired the following:

100% of the shares of Moore & Taber for U.S. $1,079,497 cash.

100% of the shares of C I Power Services Inc. for total consideration of $1,065,270 in cash and Class B shares.

The assets and work to be performed of Robertson Building Systems for $500,000 cash and notes for $951,000 for a total consideration of $1,451,000.

During the year the Company disposed of the net assets of the CKO Radio division for $2,000,000 to a partnership in which the Company holds a 51% interest.

3. Bank indebtedness

	1984	1983
Secured bank loans	$ 8,381,407	2,587,345
Cheques issued and uncashed	669,664	842,328
	$ 9,051,071	3,429,673

The bank loans are secured by general assignments of accounts receivable, inventories and fixed and floating charge debentures on certain fixed assets.

4. 6½% Convertible Subordinated Debentures

During 1972 the Company issued $3,000,000 of 6½% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are unsecured, direct obligations of the Company and are subordinated to the senior indebtedness of the Company.

The debentures are convertible until March 15, 1992 on the basis of 76.923 Class A shares and 76.923 Class B shares per $1,000 principal amount of debentures, equivalent to a conversion price of $6.50 per Class A share and $6.50 per Class B share. The debentures are redeemable at any time at the option of the Company at their principal amount plus accrued interest provided that the average price at which the shares of the Company have traded in the 30 day period prior to giving notice of redemption is at least 120% of the conversion price. The Company covenants that so long as any debentures remain outstanding it will use all reasonable effort to purchase in the market at such time or times in each 12 month period ending March 15, a total of at least $90,000 principal amount of debentures outstanding at a price not exceeding 100% of the principal amount plus accrued interest. In the event debentures are not available for purchase in any 12 month period, the obligation is nullified in that period.

During the year ended July 31, 1984 the Company redeemed $1,000 of these debentures to complete its obligation for the year.

5. Long-Term Debt

	1984	1983
Mortgages, chattel mortgages and obligations under capital lease with interest rates averaging 13.4% (maturity dates to 1997)	$ 4,340,117	3,515,852
Notes, agreements and loans payable with interest rates averaging 13.6% (maturity dates to 1994)	34,726,790	35,556,751
6½% Convertible Subordinated Debentures (Note 4)	1,747,000	1,861,000
	40,813,907	40,933,603
Less current portion	5,880,558	4,352,952
	$34,933,349	36,580,651

6. Dividend Restrictions

The Company is subject to certain restrictions on the payment of dividends as contained in the Trust Deed providing for the 6½% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

7. Share Capital

Changes in outstanding shares during the year

	Class A	Class B
Converted from debentures	8,688	8,688
Conversions	(450)	450
Issued for company acquired	—	6,390
Issued for cash	25,050	15,350
	33,288	30,878

8. Stock Option Plan

Under a Company stock option plan, dated November 6, 1979, options for 314,690 shares of the Company have been accepted by employees of the Company as at July 31, 1984. The plan provides that employees shall pay to the Company 50 cents for each option, which shall be credited to the purchase price when validly exercised. The options are exercisable for a five year period at a price not less than 90% of the market price at the time the options are granted. As at July 31, 1984, 156,600 shares have been issued to employees of the Company under the plan.

9. Extraordinary Items

	1984	1983
Gain on assets sold net of income tax of $123,692 (1983, $418,765)		
Consolidated entities	$ 139,607	2,311,289
Non-consolidated entities	4,891,318	—
	$ 5,030,925	2,311,289

10. Lease Commitments

Minimum annual payments under long-term operating leases, the longest of which will expire in 1994, for the five succeeding years are: $5,025,803; $5,356,193; $5,503,426; $5,618,271 and $5,876,988 totalling $27,380,681. These commitments arise primarily from a concession agreement with Transport Canada.

11. Contingent Liabilities

The Company has guaranteed certain indebtedness of related companies in the amount of $38,271,000.

12. Pending Legal Proceedings

AGRA Industries Limited and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

13. Income Taxes

The average tax rate for the company and its subsidiaries is approximately 49%. However, the provision for tax is affected by the inclusion of items which are non-taxable or non-deductible for income tax purposes and by items such as the manufacturing and processing profits deduction, investment tax credits, scientific research allowance and the 3% inventory allowance.

14. Fully Diluted Earnings per Share

	1984	1983
Before extraordinary items	$ .56	.45
After extraordinary items	1.56	.91

The fully diluted earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

15. Transactions subsequent to year-end

Blue Label Beverages (1971) Ltd., a wholly-owned subsidiary, was sold for $10,500,000 cash and notes. The sale resulted in an extraordinary gain of $6,842,000, an increase in consolidated working capital of $8,534,000 and a reduction of consolidated long-term debt of $13,326,000.

16. Segmented Information (in thousands of dollars)

	Engineering		Food and Beverage		Community Service		Consolidated Total	
	1984	1983	1984	1983	1984	1983	1984	1983
Revenue	$70,365	72,622	54,632	52,894	15,311	6,819	140,308	132,335
Earnings (losses)								
Before the following	(848)	420	1,321	1,663	96	(1,385)	569	698
Of non-consolidated entities	217	759	—	—	1,975	741	2,192	1,500
Minority interest	—	—	—	—	(68)	—	(68)	—
Before extraordinary items	(631)	1,179	1,321	1,663	2,003	(644)	2,693	2,198
Extraordinary items	—	—	—	2,311	5,031	—	5,031	2,311
Net earnings (losses)	$ (631)	1,179	1,321	3,974	7,034	(644)	7,724	4,509
Assets	$55,292	50,095	42,911	44,009	24,605	14,021	122,808	108,125
Depreciation and Amortization	$ 2,504	2,359	1,761	1,607	147	327	4,412	4,293
Capital Expenditures	$ 2,003	940	1,103	4,768	546	290	3,652	5,998

Bell Canada's new Trinity Square building in Toronto is faced with architectural concrete curtain walls produced by Beer Precast. The wall panels were furnished complete with insulation and surfaced with a flame finished granite veneer.

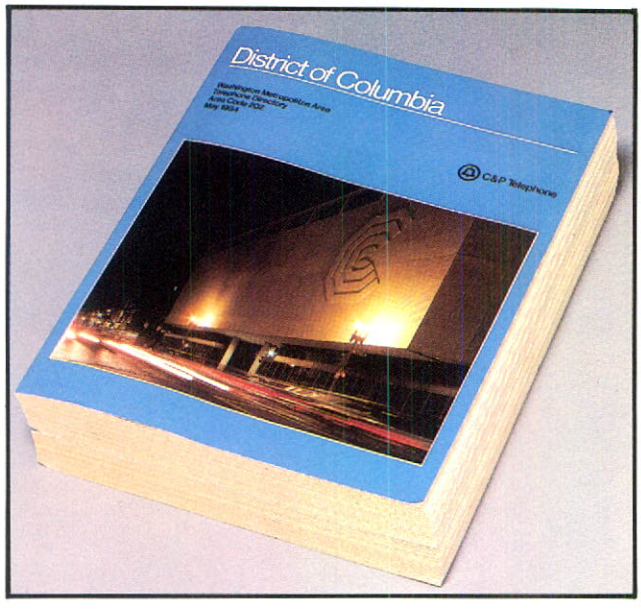
engineering group

	1984	1983
SALES	$ 70,365,458	72,622,298
EARNINGS ..	$ (630,510)	1,178,806

In 1981 our Engineering Group recorded net earnings of over 3 million dollars. By 1982 this had dropped to just under 2 million dollars. Last year with sales of $72,622,298 net earnings dropped yet again to $1,178,806. And in 1984 total sales fell to $70,365,458 and net earnings disappeared entirely for the first time in over twenty years of operations to become a net loss of $630,510. These figures illustrate the general malaise which affected our Engineering Group during the past few years, but they do not tell the entire story. For example, they do not describe the agonizing chore of reorganizing and restructuring our operating companies in an attempt to control overheads as work loads dropped precipitously. Nor do they detail the successes which were mixed with the failures — successes both in landing work against fierce competition and in completing jobs efficiently and effectively. And even occasionally, successes in the form of bottom line profits in spite of tight margins and high overheads.

An example of one of our most successful engineering companies during the past year is Beer Precast Concrete Limited. This fine company prefabricates complete wall sections for major buildings. The wall sections may be faced with exposed aggregate or with other products such as marble or brick. Windows and doorways are sometimes pre-installed, and the wall sections can be factory finished with insulation and interior wall facings. Beer's products are prefabricated in Toronto and shipped many miles to major cities such as New York, Boston, Cleveland and Detroit. Other companies in our Engineering Group which also had a reasonably successful year include Torchinsky Consulting, Western Caissons in Saskatchewan, Frontier Foundations in Salt Lake City and Jensen & Reynolds in Seattle.

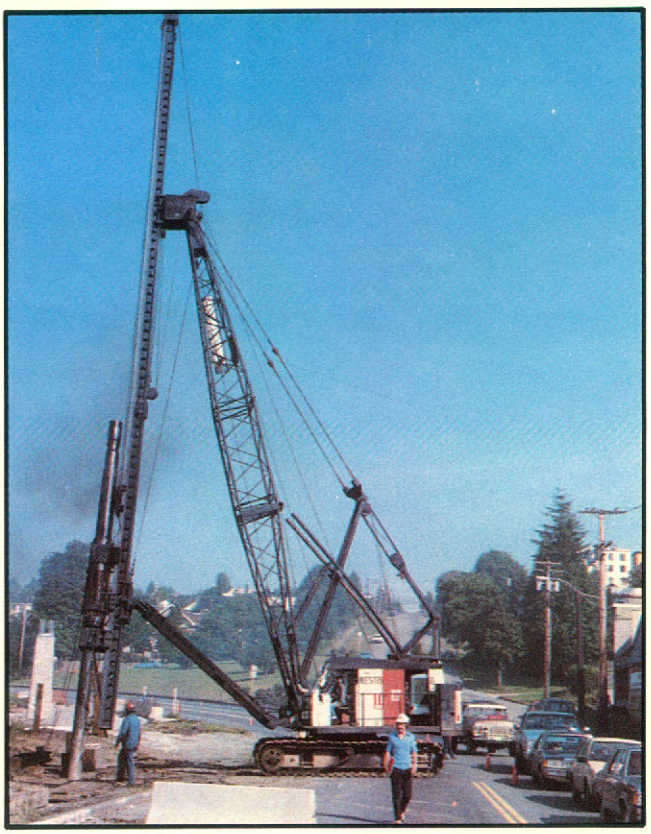
Early in the year we completed the acquisition of CI Power Services Inc. and CEDSI (Canadian Energy Development Systems Inc.). CI Power is an old, established engineering company which specializes in the design and operational management of power plants, and CEDSI specializes in identifying and conducting feasibility studies for small hydro, biomass, wind and solar energy projects in various parts of the world. Upon acquiring CI Power, we moved their main office from Montreal to Toronto and made some organizational changes, including amalgamating the operations of CEDSI with CI Power. We look forward to obtaining and execut-



Beer Precast manufactured all the concrete curtain walls for the convention centre in Washington, D.C. A picture of this impressive structure is featured on the cover of the current District of Columbia telephone directory.

Moore & Taber performed the foundation investigation and monitored foundation installation for the three mile long second-level roadway at Los Angeles' International Airport. This $500 million project was completed in time for the 1984 Olympic Games.

Mocoat Industries displays its wellhead covers and underground tanks at the recent Calgary Oil Show.



Western Caissons drives steel piles over 150 feet deep to support the ALRT transportation system which will run from New Westminster to downtown Vancouver.

ing interesting and challenging work from this company in the new year.

Near the end of the year we acquired Moore & Taber, a well established geotechnical engineering consulting company located in Anaheim, California. The company also has a branch office in Bakersfield. We presently provide specialized geotechnical engineering consulting services through BBT Geotechnical Consultants in western Canada, and through Sergent Hauskins & Beckwith in Arizona, New Mexico and Utah. The acquisition of Moore & Taber will provide a natural geographic extension of these services into California.

For the new year we look forward to an increased tempo of work for our Engineering Group. We expect this partly because the deep recession seems to have bottomed out and partly because of our expansion technically into the energy field and geographically into more areas of the United States. Some time in the new year, Ellesmere Developments will complete their golf course development in the Cayman Islands and will be ready to proceed with the next phase by constructing a comprehensive resort facility on this exciting project. Our Engineering Group continues to be very active and hopefully will soon overcome the malaise which has affected it in the past few years.

BBT Geotechnical Consultants performed the foundation investigations and provided materials testing and foundation inspection services during the construction of both the Memorial Drive flyover and LRT bridges across the Bow River in Calgary, Alberta.

food & beverage group

	1984	1983
SALES	**$ 54,632,048**	52,893,753
EARNINGS ..	**$ 1,320,869**	3,974,206

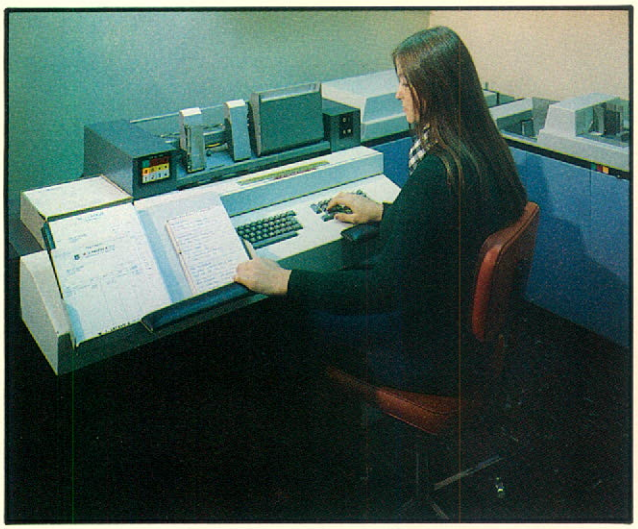
Total sales moved up slightly to $54,632,048 in the current year compared with $52,893,753 last year. However, net earnings fell to $1,320,869 compared with $3,974,206 last year. This is not a valid comparison since last year's earnings included an extraordinary gain of $2,311,289 whereas the current year's earnings include no extraordinary items. But even without the extraordinary items, last year's earnings were still somewhat better than those in the current year.

Most of the earnings drop occurred in the beverage division because our new soft-drink plant in Calgary continued to face severe competition and price resistance in face of the continuing poor economy of southern Alberta. The plant was originally designed to accommodate a booming economy and rapid population growth in southern Alberta. It came on stream just as the severe recession hit Alberta and put a sudden stop both to the booming economy and to the population growth. As a result, our very large investment in the plant was not fruitful. Nor could we expect it to become fruitful until southern Alberta overcame the effects of the recession, which could take some considerable time. Your directors determined not to wait for such a turnaround, but rather to sell the operation. This decision was made because we were offered an attractive price for the plant which would return all of our investment and provide a handsome extraordinary gain as well. Since the sale was made subsequent to our year-end, it will be recorded in next year's results.

W. J. Lafave's oil blending department produces frying oil for the hotel, institution and restaurant trade.

Research Foods' new "Pop 'N Snack" flavoured popcorn toppings are becoming very popular with home-made popcorn aficionados. Flavours include "Buttery Treat," "Cheese," "Sour Cream & Onion," "Pizza," "Peanut Butter," "Caramel" and "Fudge Nut."

Our food division includes Research Foods, an ingredient supplier to the convenience food industry, and W.J. Lafave & Sons which supplies the baking industry across Canada with a range of shortening, chocolate and other specialty products. Lafave also manufactures a variety of specialty Italian foods under various private labels through their wholly owned subsidiary, Magnani, Inc.



All accounts and inventories are controlled and monitored regularly in W. J. Lafave's plant in St. Jerome, Quebec.

Operations of the food division were satisfactory for the year with results at year-end pretty well on budget. Lafave had some minor problems during the year with climbing commodity prices, however these are now under control. Research Foods managed to meet its budget goals throughout the year, but is constantly struggling to control rising cost pressures.

In 1985 our Food & Beverage Group will have lost its beverage division as a result of the sale of our soft-drink plant. However, our food division has many exciting challenges which include the continuation of its program to develop new product lines and to increase its focus on the retail market place while maintaining its heavy involvement with the institutional trade. And of course the proceeds from the sale of our beverage plant will substantially reduce debt load as well as high interest costs, so that the outlook for fiscal 1985 is very good.

Another new product recently developed by Research Foods is "Coffee-Delight," an excellent coffee creamer.

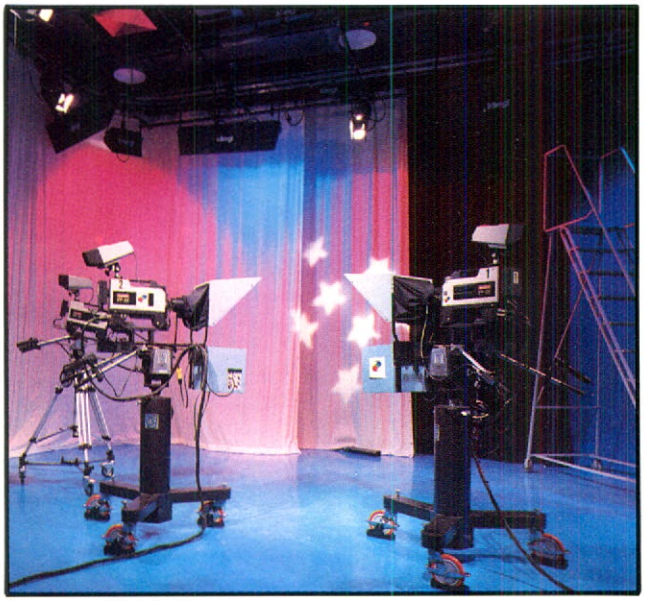
Packaging and labelling products at Research Foods' plant.

community service group

	1984	1983
SALES	$ 47,540,766	33,123,724
EARNINGS ..	$ 7,033,260	(643,775)

The Community Service Group is made up of four divisions — the communications division (Cablenet, a wholly-owned subsidiary of Cybermedix, CKO and General News), the medical laboratory division (Cybermedix), the insurance brokerage division (Canasco-Bonham) and the duty-free sales division (Allders International). Consolidated sales for the year reached a record $47,540,766 compared with $33,123,724 last year. Included in the sales figures are $32,230,113 for the current year and $26,304,810 for last year which constitute our share (74%) of Cybermedix's sales. The Cybermedix figures are not included in AGRA's consolidated sales figures since our interest in Cybermedix is accounted for on an equity basis. Operations of the Community Service Group produced consolidated net earnings of $7,033,260 compared with a loss of $643,775 last year. The current year's earnings include an extraordinary gain of $5,030,925 most of which arose from the sale of Cybermedix's half-interest in a cable-television system in St. Louis. There were no extraordinary items last year.

The duty-free sales division is new to our Community Service Group. It was created early in the year when Allders International (Canada) Ltd. tendered and won the concession rights from Transport Canada to operate all the duty-free shops in Toronto's Pearson International Airport for the next seven years starting October 1st, 1983. We hold 51% of this operation and our partners are Allders International Ltd., a division of Hanson Trust, which is a very large diversified public company headquartered in the United Kingdom. In its first partial year of operations Allders exceeded our original projections of anticipated sales and profit margins. We expect this trend will continue.



A typical studio facility serving one of our cable television systems.

General News sets up and services magazine displays at many supermarket checkout locations.

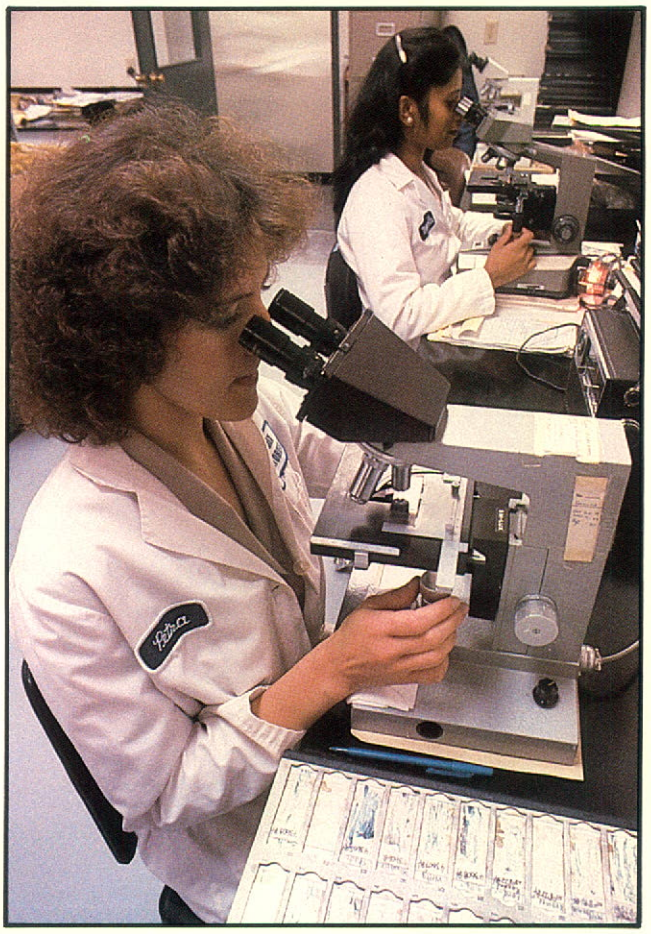
Our insurance brokerage division is also a fairly new operation, having been started last year. We hold a 49 percent interest in the company which is called Canasco-Bonham and operates in the general brokerage field. During the year Canasco-Bonham completed the acquisition of another small brokerage company with which it amalgamated. The company has operated successfully up to now and we expect it will continue to do so.

Operations of our communications division were spotty. General News, our wholesale magazine distributing company in southern Alberta, had an ex-

Reporters Sandy Rubin and Ed Anderst in CKO's Montreal newsroom.

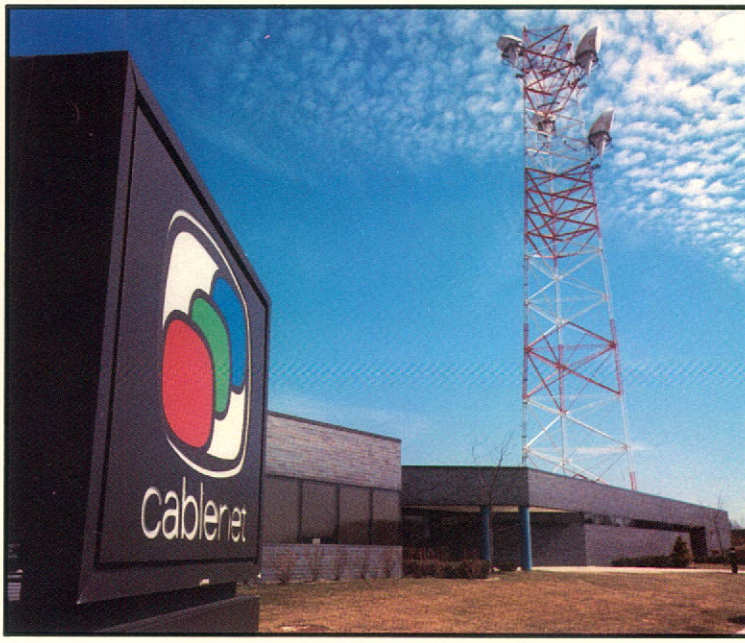
cellent year. CKO, our all-news radio network across Canada, continued to suffer operating losses, however these were absorbed by our limited partners and the company appears to be making progress. Cablenet, our cable-television operation, had a reasonable year in Canada but experienced difficulties completing its new cable system in the northwest suburbs of Chicago because of high costs. Proceeds from the sale of Cablenet's interest in the St. Louis cable system helped to cover some of these costs. And the sale of a half-interest in the Chicago cable system should provide the balance of funds necessary to complete that system. The half-interest is in the process of being sold to Tele-Communications Inc. (TCI), headquartered in Denver. TCI is one of the largest cable-television companies in the United States and is listed on the New York Stock Exchange. They should make excellent partners.

Our medical laboratory division, Cybermedix, enjoyed another excellent year in 1984. Operations in Canada and in the United States consistently performed above budget projections both in sales volume and in net earnings, so that we are very pleased with this company's progress.



Cytotechnologists Petra Haataja and Mangala Dandekare examine PAP smears in Cybermedix's laboratory.

Office and head end for Cablenet Inc. located in Mount Prospect, Illinois just outside of Chicago.



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